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THE **E**'s OF MANAGEMENT



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AUDITING EFFICIENCY, ECONOMY AND EFFECTIVENESS IN GOVERNMENT

***A Bibliography
of Recent Articles
June 1974***



UNITED STATES GENERAL ACCOUNTING OFFICE
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A
DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

G170

To our staff:

This booklet, a bibliography of recent articles on auditing, references material from more than 25 periodicals and professional journals. The authors represent a variety of backgrounds including practitioners from government and industry, educators, and theorists. The General Accounting Office does not in every case endorse the views of the authors, yet each article is believed to be a contribution to the profession and warrants being heard. The reader will find these articles to be an interesting cross section of current thought on auditing.

Entries are annotated and arranged in 5 categories to assist in selecting articles of interest to the reader. We hope you will find it a useful guide for your professional reading.

A handwritten signature in cursive script, reading "D. L. Scantlebury".

D. L. Scantlebury
Director

AUDITING EFFICIENCY, ECONOMY AND EFFECTIVENESS IN GOVERNMENT

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EFFICIENCY
CONOMY
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DEFINING
MANAGEMENT
AUDITING

Gustafson, George, "Management-Type Auditing,"
The Internal Auditor (Nov./Dec. 1970) pp. 32-45.

The author compares the conventional definition of operational auditing with his expanded definition. He states that the scope of management auditing goes beyond accounting, financial, and compliance matters. It must focus on operations to determine if they are carried out in an effective, efficient, and economical manner.

Norgaard, Corine T., "Operational Auditing: A Part of the Control Process,"
Management Accounting (Mar. 1972) pp. 25-28.

The author defines operational auditing and compares it with financial auditing. She presents the final data-gathering phase of the operational control process and isolated examples of the various types of management controls which an operational auditor might find in his review of the procurement function within an organization--operating policy, standard of performance, standards of reporting, and physical control.

Sawyer, Lawrence B., "Just What Is Management Auditing?"
The Internal Auditor (Mar./Apr. 1973) pp. 10-21.

The author presents the 10 commandments of internal auditing--know the objectives, know the controls, know the standards, know the population, know the facts, know the causes, know the effects, know people, know how and when to communicate, and know modern methods. When the auditor obeys these commandments, he will make the appraisals of operations that management needs.

Schneider, Aaron, "What Operation Auditing Is--and Isn't,"
The Internal Auditor (Sept./Oct. 1973) pp. 10-19.

The author compares several definitions of operational auditing. He contends that efficient and effective use of internal audit resources is important to provide the greatest benefit to management.

Staats, Elmer B., "Management or Operational Auditing,"
The GAO Review (Winter 1972) pp. 25-35.

The author outlines a four-step approach to management auditing--a preliminary survey of the activity being examined should be made to obtain necessary background and other working information for the audit; the basic assignment of responsibility should be studied to ascertain the authorized purposes; the management system should be examined; and the results should be reported to those responsible for acting on the auditor's findings and recommendations. The author also discusses the expanding role of the auditor in fiscal, managerial, and program accountability.

Staats, Elmer B., "GAO Audit Standards: Development and Implementation,"
Public Management (Feb. 1974) pp. 5-7.

The author provides background on GAO's audit standards, explains the standards in brief, and describes what GAO is doing to encourage more comprehensive auditing in Government.



**THEORY
OF
MANAGEMENT
AUDITING**

"American Accounting Association Report of Committee on Managerial Decision Models,"
The Accounting Review, supp. to vol. XLIV, 1969,
pp. 43-76.

Concentrates on how accounting systems may best identify, measure, record, and report the relevant data needed to implement decision models and then report the results of the decisions. Advocates a modern interpretation of accounting that responds to the broad needs for management information.

Bell, Hassell B., "What Is the Role of the Internal Auditor?,"
The GAO Review (Spring 1967) pp. 13-21.

The author discusses an emerging controversy on whether internal auditors should conduct financial or operational audits. He states that auditors may serve as the ears of management by locating opportunities for eliminating waste and inefficiency; recommending improvements in policies, procedures, and organizational structure; providing checks on individual and organizational unit performance; reviewing compliance with applicable statutory and other legal requirements; testing for unauthorized, fraudulent, or irregular acts; identifying potential trouble spots in future operations; and providing an additional channel of communication between operating levels and top management.

Campfield, William L., "Controversies and Opportunities in the New Management Auditing,"
The Internal Auditor (Mar./Apr. 1971) pp. 27-37.

The author contends that auditors not only must become conditioned to rapid change but must have an array of viable decisions if they expect to cushion their organizations against the effect of future shock. Gives some guidelines and approaches for the bold thrust.

Hamelaran, Paul W., and Mazzie, Edward M., "Management Science: An Art of the State," Government Executive (May 1972) pp. 70-71.

The authors attack two problem areas of the State-- the first deals with the question of how to improve the effectiveness and/or efficiency of an established governmental program or service; the second concerns whether a government should embark on a new service program or extend capabilities to deliver service to persons not receiving it.

Hornngren, Charles T., "The Accounting Discipline in 1999," The Accounting Review (Jan. 1971) pp. 1-11.

The author traces the progress of accounting from 1960 to 1999 in terms of function and education.

Langenderfer, Harold Q., and Robertson, Jack C., "A Theoretical Structure for Independent Audits of Management," The Accounting Review (Oct. 1969) pp. 777-787.

The authors discuss the interest of stockholders, creditors, and others in the financial community in being able to assess a firm's management by more than financial statements alone.

Mautz, R. K., and Newmann, F. L., "The Effective Corporate Audit Committee," Harvard Business Review (Nov./Dec. 1970) pp. 57-65.

The authors show how the effective corporate audit committee means protection for directors, a channel to the board for independent CPAs, and more self-discipline for management. The article also presents the findings of a large-scale research project on audit committee operations in industry.

"Report of the Committee on Non-Financial Measures of Effectiveness," The Accounting Review, supp. to vol. XLVI, 1971 pp. 165-211.

Searches out developments in the area of nonfinancial measures used in business and nonbusiness decisionmaking, suggests their applicability to accounting, and makes recommendations for research projects.



**PERFORMING
MANAGEMENT
AUDITS**

Ahart, Gregory J., "Evaluating Agency Management,"
The GAO Review (Winter 1971) pp. 32-37.

The author addresses the subject of evaluating agency management from the perspective of his background in GAO and the role that GAO plays in the Federal scheme. The author discusses several topics relating to evaluating agency management, such as application of resources, management evaluation process, establishing credentials, psychological aspects of management evaluation, etc. He also presents a list of questions that GAO tries to answer in evaluating agency management.

Boulard, Heber D., "Evaluating Results of Government Programs,"
The GAO Review (Fall 1973) pp. 48-54.

The author discusses a few basic principles for evaluating program results, such as relevance and validity of effectiveness criteria, appropriateness of methods, and reliability of results. He also states that, when funds, skills, and facilities are put into program operations by planning, organizing, procedures and control, they yield achievements, impact, benefits, and effectiveness.

Campfield, William, "Auditing Management Performance,"
Financial Executive (Jan. 1971) pp. 24-34.

This article pictures what the up-to-date auditor is doing in both private and public sectors to help management achieve optimal results. The author points out several ideological and technological changes that have been occurring in our environment at an accelerated rate and tells how a broadened audit scope can be helpful in dealing with these changes.

Chartrand, Robert L., "The Governor and the Systems Approach,"
Government Executive (June 1973) pp. 51-55.

The author tells of the actions of States to recognize and examine the ways of enhancing Federal-State-local government interaction. He shows how improved planning, programming, and budgeting techniques have been employed in more than half the States, with resulting efficiencies.

Choi, Jong T., "Operational Auditing: Part I,"
The Internal Auditor (Mar./Apr. 1971) pp. 6-26.

This article presents six basic steps the auditor must follow for successful auditing: familiarization, verification, evaluation, review of audit findings, recommendations, and reporting. The article is based on original research of operational practices of 114 member firms of the Institute of Internal Auditors' Philadelphia Chapter.

Choi, Jong T., "Operational Auditing: Part II,"
The Internal Auditor (May/June 1971) pp. 37-55.

The author discusses the approach and the limitations and a survey of the practice of operational auditing. He reemphasizes the six basic steps an auditor should follow for successful auditing.

Federal Government Accountants Association, Washington Chapter,
Sophisticated Auditing Techniques, 1973.

A compendium of the proceedings of a seminar on auditing techniques conducted by the Washington Chapter, FGAA, October 16-18, 1972. The articles contain the ideas and experiences of 10 seminar speakers.

Freitag, William, "On Efficiency and Responsibility in Non-profit Organizations,"
Management Controls (May 1973) pp. 106.

The author discusses evaluation of efficiency and responsibility in nonprofit organizations. He cites specific examples and indicates further dynamic changes in the regulation of non-profit organizations.

Hatry, Harry P., "Problems in Performance Auditing of Local Services,"
Public Management (Feb. 1974) pp. 20-23.

The author reviews some of the problems to be dealt with in undertaking performance audits, particularly the absence of program objectives, measurement standards, and performance data.

Linowes, David F., "The Accounting Profession and Social Progress,"
The Journal of Accountancy (July 1973) pp. 32-40.

The author discusses the application of accounting and control principles in reviewing social programs. He also discusses the CPA's role in evaluating the results of non-profit-oriented programs.

Morse, Ellsworth H. Jr., "Auditing Government Operations,"
The Internal Auditor (July/Aug. 1973) pp. 10-19.

The author contends that, because money is a scarce resource, there is no place in Government for misuse of funds and that governmental management systems need good mechanisms to promote efficiency, effectiveness, and economy. The author cites these mechanisms: governmental auditing should recognize the fiscal, managerial, and program elements of accountability; governmental auditing that goes beyond financial transactions and accountability matters should be extended; audit staffs used in making governmental audits of whatever scope should be adequately trained and supervised; necessary skills should be available in audits of economy and efficiency; and audit institutions should encourage the development of strong internal audit systems.

Morse, Ellsworth H., Jr., "Performance and Operational Auditing,"
The Journal of Accountancy (June 1971) pp. 41-46.

The author discusses the distinction between financial and performance auditing and lists the steps to be followed in both types of audits. The author sees a bright and expanding future for the auditing profession, but how bright depends on the profession's own performance.

Morse, Ellsworth H., Jr., "The Auditor Takes on Program Evaluation,"
The Federal Accountant (June 1973) pp. 4-13.

The author discusses the questions that should be answered when making program evaluations. What is being accomplished? Is enough being accomplished? Is the activity really successful? Are the results worth the cost? Could it do better? If so, how? Also discusses two interrelated factors affecting program evaluations--the agencies' primary responsibility to evaluate their own results and the legislation requiring this.

Murray, Lawrence M., "Management Audit of Divisional Performance,"
Management Accounting (Mar. 1973) pp. 26-28.

This article highlights some of the problems with current measurement techniques and suggests as an alternative the management audit approach for measuring performance.

Reynolds, Allen L., "Examining Performance of Socio-Economic Programs--The Criteria-Gap,"
The Internal Auditor (July/Aug. 1972) pp. 64-69.

The author contends that audits of governmental units, like management of these units, must place primary emphasis on the quality and effectiveness of service and the efficiency with which criteria may be constructed.

Scantlebury, D. L., "The Structure of a Management Audit Finding,"
The Internal Auditor (March/Apr. 1972) pp. 10-22.

The findings resulting from management auditing have certain common structural characteristics. Recognition of these characteristics by the management auditor can help him perform more efficiently by enabling him to restrict his work to essential matters. Understanding these characteristics will also enable him to outline his report quickly and thus help him to write it faster and more logically.

Snellgrove, Olin C., "The Management Audit: Organizational Guidance System,"
Management Review (Mar. 1972) pp. 41-44

The author makes the assertion that the successful company today is one that knows where it is, where it wants to go, and how to get there. He tells how the management audit can serve a vital control function by providing an objective, impartial, and competent appraisal of organizational activities, as well as be a means of continuously redirecting a firm's efforts toward ever-changing plans and objectives.

Staats, Elmer B., "Evaluating the Effectiveness of Federal Social Programs,"
The GAO Review (Fall 1973) pp. 1-7.

The author discusses some of the difficulties of evaluating social programs. He identifies several factors in making program evaluation more effective, such as experience, interdisciplinary staff, consultants in various fields, training programs, and systematic efforts to take advantage of ongoing or completed work.

Staats, Elmer B., "The Multipurpose Audit,"
Management Review (June 1971) pp. 15-18.

The work of the auditor today goes beyond rendering an opinion on financial statements and has as its objective greater efficiency and effectiveness throughout the organization. The author illustrates six techniques used to identify problem areas: survey work, review of management reports, review of internal audit or inspection reports, physical inspections, test examinations or transactions, and discussions with officials and employees.

Sullivan, Robert L., "Program Evaluation,"
Management Controls (Nov. 1972) pp. 254-256.

The author stresses the importance of program evaluation in Government. He states that evaluation should occur at every step of program development and that in the future the idea of public accountability will include assurance that results expected from applications of public funds are those that are realized. The author also discusses the interest of the Congress in program evaluation as evidenced by the increase in the number of requests for independent evaluations of Government programs.

Toan, Arthur B., "Is Accounting Geared To Today's Needs?,"
Management Adviser (Nov./Dec. 1971) pp. 17-22.

The author states that accountants have an impact on human behavior; but they normally are so tied up with problems of technique, recording, manipulation of numbers, and preparation of reports that they don't think of the effect they have on the outside world.

Westmeyer, Troy B., "Performance Auditing,"
Governmental Finance (Nov. 1972) pp. 25-29.

The author presents his definition of performance auditing and compares it with that of other writers. He discusses the qualifications for program auditors, programs to be audited, audit procedure, and the independence of an audit unit.

Wilde, Frazor B., and Vancil, Richard F., "Performance Audits by Outside Directors,"
Harvard Business Review (July/Aug. 1973) pp. 112-116.

Most boards of directors have been content to ratify the actions of management. But now, as the trend to make more active and constructive use of outside directors' experience and expertise accelerates, the boards will become increasingly involved in overseeing the performance of management.

EFFICIENCY
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**MANAGEMENT
AUDITING—
SOME BENEFITS**

Ballard, John R., "Better Service to Management,"
The Internal Auditor (Sept./Oct. 1972) pp. 10-16.

Two principle steps will help auditors serve management better--first, we must recognize what a management-oriented auditing service should be in our own organization, and, second, we must honestly appraise our auditing programs and results and decide if we really are providing a constructive service to management. The author contends that better service to management must be discussed synonymously with the concept of operational or management auditing.

Borut, Donald, "ICMA and Performance Auditing,"
Public Management (Feb. 1974) pp. 11-15.

The author endorses the performance audit concept as a useful tool for local government and says that it is inevitable that local government will be making performance audits in the not too distant future. The article also describes test audits being conducted by GAO and The International City Management Association.

Culpepper, Robert C., "A Study of Some Relationships Between Accounting and Decision Making Processes,"
The Accounting Review (Apr. 1970) pp. 322-332.

The author looks at permitted rates of return for privately owned natural gas distribution utilities and attempts to relate differences in these rates of return with differences in accounting methods used. He states that the objective of accounting is to provide information for (1) making decisions concerning the use of limited resources, (2) effectively directing and controlling an organization's human and material resources, (3) maintaining and reporting on the custodianship of resources, and (4) facilitating social functions and controls.

Dever, John E., "Performance Auditing in the City,"
Public Management (Feb. 1974) pp. 2-4.

Cities today need more information so local government can do its job better. The author sees performance auditing as a constructive tool to meet such needs.

Dittenhofer, Mortimer A., "The Growing Role of the Auditor in Managing State Government,"
State Government (Spring 1970) pp. 119-123.

This article discusses the auditor as a valuable asset for evaluating State operations. The author gives examples of savings that have resulted in States making performance audits, and he cites three requirements for audit success: insure that the person in charge of the audit is intellectually committed to it, provide a competent staff, and insure a receptive environment for the product of the audit staff.

Dittenhofer, Mortimer A., "The Use of Operational Auditing in Legislative Overview,"
State Government Administration (July/Aug. 1973) pp. 18-22.

The author discusses the role of State audit staffs in assisting the legislature. He reviews the scope of a staff's work and the relationship between the staff and the body it should serve.

Drucker, Meyer, "The Importance of Internal Review for Local Governments,"
Governmental Finance (Feb. 1973) pp. 25-28.

This article points out the need for internal review in local government because profit is not a measure of efficiency. It explains that States that do not require audits give an open invitation to fraud and inefficiency. It gives a description of what auditing can contribute.

Hadder, Perry E., "The Operational Auditing Function and its Place in the Company," The Internal Auditor (May/June 1972) pp. 42-48.

The author states that the only limitation to where an operational audit can be effectively performed in the company is the limitation the auditor places upon himself. He describes areas where operational audits can be performed, defines operational auditing, and discusses control.

Harris, William O., "Improving Federal Program Performance," Government Executive (Sept. 1973) pp. 54-57.

The author discusses management by objectives at the Department of Health, Education, and Welfare. He states that Government executives must constantly seek the best of all management systems and integrate them into one system that fits their agency needs.

Henry, Harold H., "Efficiency Is A Valid Goal: Improving the Management of Government/Industry Programs," Management Review (Aug. 1973) pp. 5-18.

The author discusses some of the problems that occur in Government contracts with private firms and recommends ways of improving program management systems. He also states that, in future programs by Government agencies and industrial firms, the design of management systems should receive much more attention.

Hitts, Al W., and Masschelin, Jack F., "The Controller - An Operational Audit Approach," The Internal Auditor (July/Aug. 1972) pp. 17-23.

This article takes the position that for auditors to determine bookkeeping accuracy alone is not enough for management. Management needs more than just a scorekeeper. The authors present several points on how auditors can better serve management. They state that a division controller's efforts should provide, at least, adequate financial and cost accounting systems that meet both division and corporate needs, an effective source of financial advice and reporting to division and corporate management, and compliance with all policies in appropriate division or corporate manuals.

Knigh-ton, Lennis M., "Improving The Audit of Federal-State-Local Programs,"
The Federal Accountant (Dec. 1968) pp. 31-43.

The author suggests four alternatives for improving audits of Federal-State-local programs and examines their advantages and limitations.

Morse, Ellsworth H. Jr., "Accountants Evaluate Federal Management,"
The Office (Jan. 1971) pp. 66-67.

The author contends that accounting involves much more than keeping books straight and preparing financial reports. It also involves analyzing and interpreting information and examining and evaluating the performance of managers responsible for organization objectives. The author tells of management's need for help from auditors in order to pursue their programs and activities effectively with the efficiency and economy that taxpayers have a right to expect.

Staats, Elmer B., "Protecting The Taxpayer's Dollar,"
The Journal of Accountancy (Jan. 1968) pp. 50-54.

The author discusses the significance of management audits for recognizing the effectiveness, efficiency, and economy of Federal programs. He points out what GAO is doing to promote better Government.

Staats, Elmer B., "The GAO - How Its Work Affects Local Government,"
Governmental Finance (Aug. 1973) pp. 25-28.

The author discusses various ways in which GAO work affects local government. He states that in an effort to improve its capability and performance, GAO is learning by doing, building an interdisciplinary staff, making extensive use of expert consultants, conducting advanced training programs, holding seminars in specific areas, and taking advantage of analytical and evaluation work of other Government agencies.

Tanimura, Clinton T., "State Approaches to Performance Auditing,"
Governmental Finance (Aug. 1972) pp. 24-25.

The author views State performance auditing as a tool by which objective and impartial information can be developed to assist the legislature in its decision-making.

EFFICIENCY
ECONOMY
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**ADDITIONAL
REFERENCES**

Campfield, William L., "Trends In Auditing Management Plans And Operations,"
The Journal of Accountancy (July 1967) pp. 41-46.

The author contends that the auditor is destined for wider horizons than mere attestation to recorded historical information of financial data. He examines the rationale of management auditing by exploring some examples of its application and offering some proposals for future direction.

Dittenhofer, Mortimer A., "Federal Performance Auditing -- Its Application to State Audit Effort,"
The Federal Accountant (Mar. 1970) pp. 60-72.

The author discusses performance auditing and audit areas as applied to the State audit effort. He presents examples of audit findings and explains GAO's Standards For Audit of Governmental Organizations, Programs, Activities & Functions.

Dittenhofer, Mortimer A., "Serendipity In Self-Audit,"
The Federal Accountant (June 1973) pp. 48-54.

The author discusses the basic objectives of internal audit--assisting management with objective analyses, appraisals, and recommendations and pertinent comments concerning the soundness, adequacy, and application of accounting, financial, and operating controls; compliance with established policies, plans, and procedures; accountability and safeguarding of assets; the reliability of accounting and other data; and the quality of performance in carrying out assigned responsibilities.

Dittenhofer, Mortimer A., "The Case for Standards and Guidelines for State Audits,"
The Internal Auditor (July/Aug. 1970) pp. 61-69.

The author discusses the need for establishing guidelines for State audits. He describes GAO's audit standards and explains the benefits which will accrue to both Federal and nonfederal entities through their use.

Higgins, J.A.C., "The Effective Audit Report - Our Most Important Product,"
The Internal Auditor (May/June 1973) pp. 44-49.

The author contends that one of the more important standards for good internal auditing is the auditor's ability to convey his findings effectively to higher management. He outlines the approach, organization, and contents of the audit report.

Ives, Martin, "Operational Auditing in State Government,"
The Internal Auditor (May/June 1968) pp. 51-57.

The author discusses the State of New York and its operational auditing process. He states that the auditor has become concerned not only with the control of inputs but with the outputs of resources.

Morse, Ellsworth H., Jr., "Agencies Probed in New Operational Audits,"
Government Executive (Apr. 1973) pp. 46-49.

The author discusses how GAO audits of Federal agencies go beyond the evaluation of how well agencies handle their funds. The main objective in most GAO audits is to find ways to improve products and services, cut costs, eliminate waste of money, and provide unbiased information for policymakers and managers. The author states that the objective of GAO work is constructive evaluation--not criticism of past performance.

Morse, Ellsworth H., Jr., "Operational Auditing and Standards for the Public Sector."
The GAO Review (Winter 1973) pp. 30-36.

The author traces the development of GAO's auditing standards. He states that the basic objective of operational auditing is twofold: better information for managers and decisionmakers and improved organization goals.

Norgaard, Corine T., "The Professional Accountant's View of Operational Auditing,"
The Journal of Accountancy (Dec. 1969) pp. 45-48.

The author tells what operational auditing is, what it means to the CPA, to what extent they are performing it, how it is used, and its results. She also gives her opinion on the future of operational auditing in the world of management.

Snellgrove, Olin C., "Preventive Maintenance: A Challenge to Operational Auditors,"
The Internal Auditor (Sept./Oct. 1973) pp. 51-56.

The author discusses some of the characteristics of a good preventive maintenance program and suggests some areas for internal audit. He states that it is best to review preventive maintenance from the aspect of the activities required to control a maintenance program. He identifies these as engineering, planning, performance, inspection, and control.

Staats, Elmer B., "The Role of the General Accounting Office in Reviewing the Results of Federal Programs,"
The GAO Review (Summer 1971) pp. 74-82.

This article is adopted from the Comptroller General's formal statement to the Senate Subcommittee on Executive Reorganization. His testimony emphasized the importance of evaluations of results and accomplishments of Government programs. The article presents the principal functions of GAO.

Steven, Anton, "Operational Audits of Construction Contracts,"
The Internal Auditor (May/June 1973) pp. 10-15.

The author discusses the meaning of operational-type audits of construction contracts and why audits should be conducted in this area. He reviews some actual cases, and develops some principles to use in auditing contracts. The author states that operational auditors' analyses and appraisals should result in assurance to management that operations are in accord with management's objectives.

Stewart, Dudley, "The Internal Auditor of the Future,"
The Internal Auditor (Mar./Apr. 1970) pp. 46-56.

The author states that 5 years from now, any internal auditor who lacks the competence to undertake EDP and other operational audit assignments will be in another job or be unemployed. He gives his thoughts on what the future holds and how the auditor can prepare himself for it.